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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

C-101 February 28, 1934

WORLD COTTON PROSPECTS

Summary

During January and the first part of February, prices of Indian cotton were lower relative to prices of American than for about 3 years. During January the prices of three types of Indian at Liverpool averaged only 75 percent of the price of American middling and low middling in that market and in early February dropped to less than 72 percent of American, which was lower than any monthly average since the latter part of 1930. These relatively low prices of Indian cotton are accounted for by the fact that this season's supply of Indian cotton is the largest since 1930-31, while the supply of American is the smallest since that season. In addition prices of American cotton in January and early February were materially strengthened by the pending legislation which would insure a much smaller supply of American cotton in 1934-35 than in the present season.

The relatively low prices of Indian cotton and the improved conditions in Europe account for the fact that exports of cotton from India to Europe this season have been so much larger than in 1932-33. From August 1 to February 15 exports of Indian cotton to Great Britain were twice as large as in the like period of last season and exports to continental Europe were 100,000 bales or 28 percent larger than a year earlier. Due to the Japanese boycott on Indian cotton which was in effect during most of the first half of the season exports to that important market so far this season have been very small. As a result total exports from India to all countries have been less than in recent years. Due to the large increase in the 1933-34 Egyptian cotton crop exports from Egypt during the first half of the season were much larger than in the corresponding part of

either of the last two seasons.

Domestic cotton consumption in January increased about 45 percent over the low December consumption; was 8 percent larger than in January 1933, and the largest for the month since 1930. The marked increase over December was expected in view of the sharp increase in sales by manufacturers in January and the fact that during December domestic mill activity was reduced to low levels. In late January unfilled orders on hand by domestic manufacturers were reported at 847,000,000 yards, equivalent to 7 weeks' production, which was better than the high point reached in 1929. This and trade comments on mill activity indicate that the rate of cotton consumption during February has been maintained at about the January levels. In Japan cotton consumption in January, as measured by yarn production, declined slightly from the record levels of the 2 previous months, but with the exception of those 2 months was larger than in any other month. Mill activity in China in late January or early February was slightly higher than a month or 2 earlier, but rather small quantities of American cotton were being used. The cotton textile situation on the Continent of Europe as a whole during January showed little change from that of the previous month.

Prices

From early January to February 12 cotton prices in the 10 designated markets advanced from 10-1/4 to 12-1/2 cents per pound, or an advance of 2-1/4 cents in less than a month and a half. This marked advance was associated with such factors as increased sales of cotton textiles and increased cotton mill activity, the stabilization of the dollar, improvement in business and business sentiment, and the favorable consideration which was being given to the Bankhead bill which would restrict the amount ginned from the 1934 domestic crop to 9,500,000 bales. It is not surprising that cotton prices have reacted somewhat since mid-February in view of the 25 percent advance during the previous 6 weeks. By February 23 and 24 the average price in the 10 spot markets was about 12-1/8 cents. The prices in mid-February were higher than at any other time since the latter part of the 1929-30 season. During February 1933 the average price per pound in the 10 markets was 5.85 cents and in February 1932 it was 6.40 cents.

During January the average price of three types of Indian cotton at Liverpool averaged only 75 percent of the price of American middling and low middling in that market compared with 90.6 percent in January 1933

and 98.9 percent in January 1932. Not since May 1931 have Indian prices in Liverpool been so low relative to American as in January. During the first part of February relative Indian prices declined to less than 72 percent of the price of American and were lower relatively than any monthly average since the latter part of 1930. This is explained by the fact that this season's supply of Indian cotton is the largest in 3 years, while the supply of American is the smallest since 1930-31 and also by the fact that in recent weeks the price of American cotton has been materially influenced by the pending legislation which would restrict the 1934 crop to 9,500,000 bales.

Stocks and Movement

Apparent supply of American cotton in United States

With the 1933 domestic crop now estimated at about 13,177,000 bales and the carry-over in the United States last August 1 about 8,083,000 bales, the available supply of American cotton for domestic consumption and exports totaled about 21,260,000 bales. From August 1 to January 31 domestic consumption of American cotton amounted to 2,847,000 bales and exports to 4,919,000 bales, making a total disappearance from the United States of 7,766,000 bales. The apparent supply remaining in the United States, therefore, on February 1 amounted to about 13,494,000 bales (21,260,000 less 7,766,000) compared with 14,524,000 bales on February 1 last year and 15,658,000 bales on February 1 two years ago. Disappearance from the United States from August 1 to February 1 last year amounted to about 7,789,000 bales, 5,040,000 bales in the form of exports and 2,749,000 bales consumed domestically.

Exports of American cotton

Total exports of American cotton during January amounted to 739,000 running bales, according to data released by the Bureau of the Census. This represented a decrease of 81,000 bales or 10 percent from December, whereas the average seasonal decline from December to January is about 20 percent. In January last year domestic exports amounted to 794,000 bales and in January 1932 to 920,000 bales. January was the third consecutive month in which exports were below the corresponding months of each of the 2 previous years. The following factors apparently largely explain the smaller exports during the past 3 months: the unusually heavy export movement which took place during the corresponding months in each of the two previous seasons, due to large supplies of American and relatively short supplies of foreign cotton, particularly Indian, the unusually heavy exports last summer, the smaller supplies of American cotton this season, and the unusually strong holding movement financed largely by the government. For the first half of the season total exports amounted to 4,919,000 running bales compared with 5,040,000 bales during the first 6 months of 1932-33 and 4,957,000 bales during the 6 months ended January, 1932.

Despite the fact that exports in recent months have been lower than in the corresponding months of the past 2 years preliminary information indicates that foreign consumption of American cotton during the first half of the season has been running above the corresponding months of any of the past few years.

Exports of Indian

Since the settlement of the Indo-Japanese controversy, exports of Indian cotton to Japan have increased somewhat relative to the corresponding weeks of the last two seasons. During the 5 weeks ended February 15 exports

from India to Japan and China combined, as reported by the Commercial and Financial Chronicle, amounted to 122,000 bales of approximately 400 pounds, whereas from August 1 up to the beginning of this 5-week period, or to January 11, only 109,000 bales had been exported to these two countries, a considerable portion of which probably went to China. From August 1 to January 11 exports to Japan and China were 61 percent less than during the corresponding period of the previous season and 78 percent less than from August 1 to January 11 during 1931-32. During the 5 weeks ended February 15, however, exports from India to these two countries were 45 percent less than in the like period a year earlier and 20 percent larger than in the same period 2 years earlier. Total exports of cotton from India to Japan and China from August 1 to February 15 this season amounted to 231,000 bales compared with 502,000 bales during the like period last season and 590,000 bales to mid-February in 1931-32.

Exports from India to Great Britain and to continental Europe have during recent weeks continued above the corresponding weeks of the last two seasons as has been the case throughout most of the season. Despite the fact that exports from August 1 to February 15 to Great Britain have been about 75,000 bales larger than a year earlier and exports to the Continent 100,000 bales larger, total exports to all countries have been about 100,000 bales smaller than during the first half of 1932-33, due to the unusually small exports to Japan. Total exports during the first half of the present season were about 80,000 bales smaller than in the first half of 1931-32.

Exports of Egyptian

Exports of Egyptian cotton during recent weeks have continued larger than in the corresponding period for several seasons. During the first half of this season, total exports from Egypt have been larger than in the corresponding period for several seasons. This is accounted for by the improvement in general conditions throughout the world, the marked increase in the 1933-34 Egyptian crop and the somewhat smaller supplies of American cotton. According to data from the Commercial and Financial Chronicle, exports from Egypt for the season August 1 to February 14 amounted to 743,000 running bales of approximately 750 pounds each, which was 61 percent larger than a year earlier and 20 percent larger than 2 years earlier.

Receipts at Alexandria from August 1 to February 14 amounted to about 6,464,000 cantars, equivalent to about 853,000 bales of 750 pounds. This was about 67 percent larger than during the like period last season and 14 percent larger than in the corresponding period of 1931-32. The 1933-34 crop is estimated at 1,819,000 bales of 478 pounds, the equivalent of about 1,159,000 bales of 750 pounds. This is 77 percent larger than the 1932-33 crop and 37 percent above the 1931-32 crop.

Textile Situation

United States

During January domestic cotton consumption amounted to 508,000 running bales compared with 348,000 bales in December, 470,000 bales in January 1933, and was the largest for the month since 1930. The marked increase over December was expected in view of the sharp increase in sales by manufacturers in January and the fact that the December restrictions of activity to a maximum of 60 hours per week by the NRA Cotton Textile Code did not apply to January. In a meeting of the Cotton Textile Code Authority in Washington in late January or early February it was reported by

George A. Sloan, Chairman of the Industry Committee, that during the first 3 weeks of January sales of cotton goods exceeded production by 60 percent and that unfilled orders in late January were equivalent to 7 weeks current production, which was better than the high point reached in 1929. The unfilled orders on January 20 were 847,000,000 yards, according to Mr. Sloan, were the highest since the code became effective on July 17.

Total cotton consumption in the United States from August 1 to January 31 amounted to 2,924,000 bales compared with 2,812,000 bales during the first half of 1932-33. In the like period of 1931-32 total consumption amounted to 2,626,000 bales. Domestic consumption during the first half of the season has not been as large as from August to January this season since 1929-30. Consumption of foreign cotton during the first 6 months of this season amounted to 76,923 bales compared with 62,615 bales during the like period last season and 62,793 bales in the first half of 1931-32.

Trade reports indicate that domestic mill activity during the first 3 weeks of February was maintained at about the same levels as existed in January and that sales have been rather good. On the whole sales of cotton goods by mills during the first 3 weeks of February were probably fully equal to or possibly in excess of production. In some sections of the industry sales were apparently considerably in excess of production.

Great Britain

Exports of cotton piece goods from Great Britain during January increased to the highest level recorded since March last year. The 179,100,000 square yards exported during January compared with 155,500,000 square yards in December, 170,500,000 in November and 197,300,000 square yards in January 1933. While exports in January were smaller than a year earlier they were about the same as in January 1932 and considerably larger than in January 1931. Total exports of piece goods from August 1 to the end of January amounted to 972,700,000 square yards compared with 1,049,000,000 during the corresponding period of 1932-33 and 871,300,000 square yards during the first half of 1931-32.

During the 3 weeks ended January 19 total deliveries of raw cotton to Lancashire spinners were reported at 172,000 running bales, which were slightly larger than during the corresponding period a month earlier and 10,000 bales larger than in the like period last season. More recently deliveries have apparently continued above a year earlier. Sales of cotton textiles during January are said to have been kept down by the higher prices, but the outlook was considered as favorable.

Continental Europe 1/

The cotton textile situation on the Continent of Europe during January, showed little change from that of the previous month. Conditions in most of the important cotton textile centers continued satisfactory, but new business in western Europe was more quiet, and this resulted in a decline in mill activity.

1/ Based largely on a report prepared by Donald F. Christy, Assistant Agricultural Attache, at Berlin, Germany dated February 8.

New sales of cotton yarn by spinners were fully equal to December sales in Germany, but France and Belgium complained of quiet business and a reduction in the unfilled orders on hand. New business of weaving mills showed similar developments. Conditions in both industries, however, are still considered satisfactory. Except for Germany, there is little new information on developments in central Europe, and reports from Italy are also lacking. Nevertheless, it is probably safe to conclude that there has been no radical change in conditions in those countries.

Spinner buying of raw cotton during January, both at Bremen and elsewhere, was quite during the first half and again toward the end of the month, as a result of higher raw cotton prices. Purchases at fixed prices as well as price-fixing on old contracts was important. C.i.f. import buying by merchants also improved, largely as a result of the increased spinner activity in the raw cotton market. Trading was not confined to near positions, but included later shipments and deliveries as well.

Germany

Conditions in the German cotton textile industry during January were fairly satisfactory. New orders received by spinners, weavers, knitters, and glove-makers were encouraging, and mill occupation was for the most part maintained at December levels.

The detailed spinner report for the month of December indicates that the business situation of the spinning mills showed no significant changes from the previous month. New sales of cotton yarn and calling on old contracts were generally quiet, but a temporary revival in business resulted from the setting-in of severe winter weather. Fine count yarns experienced a good buying interest. Yarn prices, however, continued unsatisfactory and spinner margins declined. Spinning mill activity in December was apparently about the same as in November.

The detailed cotton weaver report for the month of December also indicates little change as compared with November. New business in winter goods improved, following the setting-in of cold weather, but weavers complain that orders received were only for immediate needs and of a sporadic character. The rate of occupation in December differed little from the November level.

As previously indicated, new business in January was considered favorable in most of the important branches of the German cotton textile industry. Reports received during the second half of the month mentioned in particular the favorable development in new business at Chemnitz, at Reichenbach, in south Germany and along the Lower Rhine. Business generally was stimulated by the rising prices of raw cotton and the resultant increase in prices for cotton goods on the domestic market.

German cotton spinner buying of raw cotton at Bremen and direct "on shipment" was rather active during the first half of January and again toward the end of the month, as a result of rising raw cotton quotations. Price fixing was also important.

The expected price cartel for German cotton yarn has not been established, and it was announced that spinners will agree to uniform terms of sale, but not on price regulations. The objections by spinner-weavers to be the chief obstacles in the way of an agreement.

Beginning with February 1, the German tariff positions for cotton yarn and cotton goods were revised and re-grouped in a way which will make it difficult to compare new foreign trade data with the previously issued statistics. This should be kept in mind whenever detailed foreign trade comparisons for the German cotton goods positions are made.

Czechoslovakia

No new reports have been received from Czechoslovakia for the month of January. The latest report of the National Bank refers to the first part of December and attributes the unsatisfactory conditions then prevailing to the difficult export and payment situation as well as to keen export competition from other countries. The domestic market showed a temporary revival as a result of the sudden setting-in of cold weather. Domestic retail stocks seem to be rather low, but the difficult position of the export business has necessitated a restriction of mill activity. The previously mentioned plans to create an export currency, which would mean virtual devaluation of the crown, are still under consideration and have the support of both government and scientific circles.

Austria

No reports for the month of January were received from Austria. Conditions are thought to have changed very little as compared with those described in our last report.

France

During most of January, cotton spinners as well as cotton weavers complained of unsatisfactory new business and a reduced volume of unfilled orders on hand. A very mild temporary stimulus resulted from the rising prices on the raw market. The situation in the Normandy mills was apparently more satisfactory than at Roubaix-Tourcoing.

Cotton mill activity of spinners as well as weavers during the month of January seems to have been somewhat reduced as compared with December, though actual figures are not yet available. The latest available figures refer to the month of November and show that occupation of spinning as well as weaving mills during that month was only slightly below the level reported for October. On the other hand, unfilled orders of weaving mills were reduced and stocks of fabrics increased.

An annual review for the year 1933 was recently published by the French Cotton Association. Most of the data on mill activity and sales are already known from the current statistical publications. The report indicates that sales of cotton goods on the domestic market have been satisfactory throughout the year, but that sales to the Colonies were still about 15 percent below 1929. Fully 85 to 90 percent of the French cotton goods production is sold on the domestic market including the Colonies, and only 10 to 15 percent in foreign markets.

Italy

Italian reports for the month of January are lacking, but the situation seems to have undergone little change during the past 2 months. Statistics on mill activity for the end of November were quite favorable, although it must be considered that the seasonal tendency at that time is usually upward. Cotton spinning mill occupation, in percent of capacity, was 80.6 at the end of November, as compared with 79.6 at the end of October, and 71.5 at the end of November 1932. The figure for the end of November, 1933, is the highest for that date since 1929. Cotton weaving mill activity at the end of November 1933, was 73.3 percent of capacity as compared with 69.6 at the end of October 1933, and 65.5 at the end of November 1932. As in the case of spinning activity, the November 1933 figure is the highest for that period since 1929.

According to the above figures, activity in the cotton textile industry in Italy at the end of November was about 13 percent above the same period a year earlier.

China 1/

At mid-February cotton prices in Shanghai were favorable to the use of Chinese and Indian cotton instead of American, and the demand for American continued small with consumption of American estimated at the rate of about 30,000 bales per month. During the 1932-33 season consumption of American cotton averaged about 62,000 bales per month, in 1931-32 74,000 bales, and in 1930-31, about 30,000 bales. Following the settlement of the Indo-Japanese controversy, Indian cotton rose in price, but late January and early February did not keep pace with the advance in the price of American. The uncertainty regarding the loan cotton is said to be a depressing factor in selling of American cotton and Chinese spinners are urging the Chinese Government to clarify its policy.

The yarn market in China registered some improvement between mid-January and mid-February, but yarn stocks continued large and burdensome. The piece goods market continued inactive with the dealers more concerned about the collection of outstanding accounts than with the transaction of forward business due to the Lunar New Year holidays.

Japanese mills in China were operating at about a normal rate during the first part of February, and Chinese mills at about 90 percent of normal. This represents some increase in activity as compared with 1 and 2 months earlier, and a substantial increase over the levels existing last summer.

Japan 2/

Cotton yarn production in Japan declined somewhat during January, the 271,000 bales produced being around 10,000 bales less than the record production in each of the 2 previous months. However, the January production was the largest with the exception of the 2 previous months in the history of the Japanese industry. The decrease as compared with November and

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1/ Based largely on a radiogram dated February 14 from Agricultural Commissioner Dawson at Shanghai.
2/ Based largely on a report from Vice Consul McConoughy at Kobe received by radio from Shanghai, China, February 2 supplemented by a message received February 14.

December was apparently due to the increase in yarn and cloth stocks and the fact that at least during December yarn and cloth prices declined while prices of raw cotton advanced. Cloth exports during December amounted to 185,800,000 square yards, and were somewhat larger than in the previous 2 or 3 months, but were considerably smaller than the 210,600,000 square yards exported in December 1932. Japanese foreign trade in cotton yarn continued relatively insignificant during December.

Acreage, Production and Crop Conditions

United States

With the 1933 crop practically all ginned and the time for planting the new crop only a few weeks off, much attention is now being given to the prospective 1934 domestic crop. The cotton futures market has apparently been influenced very materially in recent weeks by news of the development of the Bankhead bill which is designed to restrict the ginnings of cotton during the 1934-35 season to 9,500,000 bales. This bill would give greater control over the 1934 crop than the Agricultural Adjustment Administration voluntary acreage restriction program. However, the acreage control program if successful in holding the cotton area down to about 25,000,000 acres would, with yields equal to the 5 years ended 1932, give a crop of around 9,000,000 bales. There are many who feel that with only the voluntary acreage control program the 1934 crop might easily be considerably larger than 9,000,000 bales. This, no doubt, accounts for the fact that market observers have recently attributed so much of the changes in cotton prices to the developments in regard to the Bankhead bill.

One of the factors contributing to the belief that the crop may be rather large even if the acreage is materially restricted is the fact that fertilizer tax tag sales have been unusually large during the last 2 months. In December, sales of fertilizer tax tags to fertilizer manufacturers or distributors in eight of the most important cotton producing states using significant quantities of fertilizer amounted to 126,000 short tons compared with 36,000 tons in December 1932 and 19,000 in December 1931. The previous high for December for the period since records became available in 1920 was in 1927, when tags for 95,000 tons were sold. During January tag sales continued large relative to the last few years but were smaller than during January in each of the years from 1923 to 1930. The tags sold during January in the eight states represented 282,000 tons which compared with 135,000 tons sold in January 1933; 100,000 tons in January 1932; and an average for the five Januarys ended 1930 of 441,000 tons. The total tags sold during December and January amounted to 408,000 tons compared with 171,000 tons during December and January last season, 119,000 tons season before last and an average for the corresponding period in the five seasons ended 1930 of 501,000 tons. Some observers seem to believe that purchases of tags this year are probably being made much earlier than usual. It hardly seems likely that sales for the season will show as much relative increase over the last 3 years as did sales during December and January. It should also be remembered that a considerable amount of the fertilizer sold early in the season is used on early spring vegetables.

Egypt

Up to the end of January the equivalent of 1,357,000 bales of 478 pounds of cotton, including 27,000 bales of Scarto, had been ginned from the 1933-34 Egyptian crop, according to a cable from the International Institute of Agriculture at Rome on February 15. Ginning, to the corresponding date last year amounted to 813,000 bales, or 40 percent less than to the end of January this year. The average ginning, including Scarto, to the end of January for the 5 years ended 1932 amounted to 1,121,000 bales. The 1933-34 crop is estimated at 1,819,000 bales of 478 pounds or 77 percent above the small 1932-33 crop and 21 percent above the 5-year average.

Ginnings of Egyptian Sakellaridis up to the beginning of February this year amounted to 187,000 bales of 478 pounds compared with 189,000 bales last year and the 5-year average of 289,000 bales. Ginnings of other varieties to the end of January this year amounted to 1,143,000 bales which were 89 percent above a year earlier and 42 percent larger than the 5-year average.

India

The fourth official estimate of the Indian Government giving the first estimate of the acreage planted to cotton in all of India has just been received. The area was placed at 23,561,000 acres compared with the revised fourth estimate for the 1932-33 crop of 22,125,000 acres and the corresponding estimate of the 1931-32 area of 23,482,000 acres. The season's estimated acreage is, based on the fourth estimate, about 6 percent and 0.3 percent respectively above last season and the season before and is the largest since 1929-30. The final acreage, which apparently includes late plantings for each of the last 2 years was 2 percent and 1 percent respectively larger than the fourth estimate. On the average during the last 5 years, the final estimate of acreage has been 2 percent larger than the fourth estimate. If the final acreage estimate this season should be about 2 percent larger than the fourth estimate the final acreage estimate would be approximately 24,032,000 acres. The final acreage estimate of the 1932-33 crop was 22,558,000 acres and the 1931-32 crop was 23,722,000 acres.

The second estimate of production was released with the fourth estimate of acreage and indicated a crop of 3,877,000 bales of 478 pounds, presumably on the acreage reported in the fourth acreage estimate and conditions existing on February 1, compared with the revised second estimate for 1932-33 of 3,713,000 bales. The final production estimate is usually larger than the estimate released in February. During the last 5 years the final production estimate has averaged 2.2 percent larger than the February estimate. We shall, therefore, continue to carry an estimate of 4,000,000 bales for the total crop compared with the final estimate of 1932-33 of 3,779,000 bales and 3,368,000 bales in 1931-32.

Soviet Russia

The main cotton producing regions of Russia are reported to have executed this year's cotton procuring plan in full by early January. Middle Asia delivered 1,062,000 tons of unginned cotton (equivalent to about 1,518,000 to 1,616,000 bales of 478 pounds of lint cotton)-100 percent of the plan - by January 1, and collective farms are reported to have surpassed their plan by 4 percent. The total actual procurings for the Union as a whole are still lacking, although during the 17th meeting of the Communist Party, Stalin mentioned some data on production and acreage of cotton, which substantiate the figure of 1,889,000 bales which we are now carrying as the 1933-34 production. This is 111,000 bales larger than the 1932 crop and slightly larger than the 1,843,000 bale crop of 1931-32.

The 1934 plan announced on January 30, by the Council of Peoples' Commissars of the USSR and the Central Committee of the Communist Party, provides for 1,940,000 hectares, 4,794,000 acres, to be sown to cotton in 1934. This is a decline compared with both the 1933 plan and with the actual acreage reported as planted. This reduction in the planned acreage was probably made with the idea of showing a more complete execution during the coming year.

The unsatisfactory development of tractor repairs in the cotton regions of the Union has given rise to numerous complaints. On January 25, only 30 percent of all tractors in need of repair had been repaired in Uesbekistan, and only 43 percent in Turkmenia, while fully 70 to 75 percent were to have been repaired by January 20. The quality of the repairs also leaves much to be desired in a number of machine tractor stations and Soviet farms, according to reports. Shortage of additional parts has been mentioned, but carelessness is also said to be a big factor.

Argentina

The 1933-34 planted cotton acreage was officially estimated in January at 469,000 acres compared with a planted area in 1932-33 of 397,000 acres, or an increase of 18 percent, according to a report received from Charles L. Luedtke, Assistant Agricultural Commissioner at Buenos Aires. In early February another official estimate was published which placed the planted acreage at about 480,000 acres, or almost 21 percent larger than the 1932-33 planted acreage. According to Mr. Luedtke one of the large cotton export firms at Buenos Aires feels that the first and lower figure is probably nearer the actual area planted. However, either of these figures is larger than any acreage planted to cotton in Argentina in any previous year, according to the acreage figures in our files.

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